



**Date:** June 20, 2016  
**To:** Thomas J. Bonfield, City Manager  
**Through:** Wanda S. Page, Deputy City Manager  
**From:** Bertha T. Johnson, Director of Budget & Management Services  
**Subject:** FY2016-2017 Budget and FY2017-2022 Capital Improvement Plan (CIP)

**Executive Summary**

The City Manager presented the proposed FY2016-2017 Budget and FY2017-2022 Capital Improvement Plan (CIP) to the City Council on May 16, 2016. The City Council held hearings on the proposed budget and CIP on May 24th and May 25th. A public hearing to receive comments from the public on the proposed budget was held on Monday, June 6th. The Administration is requesting adoption of the FY2016-2017 Budget ordinance, FY2017-2022 Capital Improvement Plan (CIP) ordinances and other related ordinances (fees, internal service plans, and grant project ordinances) and resolutions.

**Recommendation**

The Administration recommends that the City Council adopt the FY2016-2017 City of Durham Budget ordinance, FY2017-2022 Capital Improvement Plan ordinances and other related ordinances and resolutions.

The tax rate would be \$0.5607 per \$100 of assessed value and allocated as follows:

General Fund Operations	\$0.3181
Debt	\$0.1302
Solid Waste Operations	\$0.0613
Transit Operations	\$0.0411
Dedicated Housing Funding	\$0.0100
<b>Total Rate per \$100 Valuation of Taxable Property</b>	<b>\$0.5607</b>

**Background**

The City Manager presented the proposed FY2016-2017 Budget and FY2017-2022 Capital Improvement Plan (CIP) to the City Council on May 16, 2016. The City Council held hearings on the proposed budget and CIP on May 24th and May 25th. A public hearing, to hear residents’ comments on the proposed budget, was held on Monday, June 6th.

**Issues/Analysis**

North Carolina law requires all counties to reappraise real property at least every eight years. This past year Durham County reappraised all real property in the county (the last

reappraisal took effect on January 1, 2008). G.S. 159-11 requires each taxing unit to publish a revenue-neutral property tax rate (“revenue-neutral rate”) as part of its budget for the fiscal year following the revaluation of its real property. The revenue-neutral rate is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no revaluation had occurred. The revenue-neutral tax rate by category for FY2016-2017 is as follows:

<b>Funds</b>	<b>FY2015-2016 Rate</b>	<b>Revenue Neutral Rate</b>
General Fund	34.88	32.11
<i>Parks</i>	0.50	0.46
Debt	13.02	11.98
Housing	1.00	0.92
Transit	3.87	3.56
Solid Waste	5.85	5.38
<b>Total</b>	<b>59.12</b>	<b>54.41</b>

The revenue-neutral tax rate, as defined by G.S. 159-11(e), is 54.41 cents. The proposed property tax rate for FY2016-17 is 56.07 cents, which represents a 3.05 cent decrease from the FY2015-2016 property tax rate of 59.12.

During the budget hearings the City Council did not direct the Administration to make any changes to the proposed budget; however during the June 9th work session, Council directed staff to make provisions to set the City’s minimum livable wage for full-time workers to a minimum of \$15 per hour. While this decision has a financial impact the budget impact will be a net zero. The funding for this decision will come from a reduction of 0.2% in the pay for performance increase to employees, making the increase 3.8% instead of 4.0%.

In addition, the Council decided to include Veteran’s Day as an official City holiday. This will result in the closure of City Hall on an additional day. The City Manager is directed to make changes to the City of Durham’s Human Resource policy and procedures as necessary to reflect the addition of Veteran’s Day as a recognized holiday. There is no budgetary impact to this decision.

The following corrections and changes were made between the preliminary and final budgets:

1. Added a \$200,000 set aside to support the Poverty Reduction Initiative Taskforce teams.
2. Added \$2,307 to cover a slight increase in dues for professional organizations.

3. An additional \$7,500 was added to the Museum of Durham History contribution.
4. \$42,213 was added for upgrades to the Granicus system which will allow for mobile viewing and listening of Council meetings.
5. A total of \$420,000 was added to the Office of Economic and Workforce Development's budget for the up fit and moving costs associated with the relocation of the NCWorks Career Center from the Briggs Avenue location to the Lakewood Shopping Center.
6. Reduced the City contribution for the Emergency Management by \$925.
7. An increase for Public Works including two development review FTEs as well as some one-time operating costs totaling \$51,497. This reflects decisions made regarding overall changes to the Development Review process.
8. Added \$142,200 to the Inspections Fund to provide funding for two additional fire inspectors and associated operating costs. In addition, license and permit revenues were increased by \$577,116 based on updated projections and anticipated revenue from the two new fire inspector positions. This results in an anticipated surplus for the fund in FY2016-17 of \$365,196.
9. An increase to the Transit Fund in the amount of \$100,000 to reflect additional funds available from Triangle Transit Authority.

All changes that were made between the proposed and final budget resulted in an increase to the General Fund budget of \$724,442, an increase of \$507,396 in the Inspections Fund and an increase to the Transit Fund budget of \$100,000.

### **Alternative**

The Council could choose not to adopt the FY2016-2017 City of Durham Budget ordinance, FY2017-2022 Capital Improvement Plan ordinances and other related ordinances and resolutions. The City Council could also choose to revise the FY2016-2017 City of Durham Budget ordinance, FY2017-2022 Capital Improvement Plan ordinances and other related ordinances and resolutions prior to adoption.

### **Financial Impact**

The FY2016-2017 Budget ordinance total is \$404,985,117, and the CIP ordinances (Durham Performing Arts Center, General, Parking, Solid Waste, Stormwater, Transit and Water and Sewer) total \$776,746,755. Details of both are included in the attached documents.

### **SDBE Summary**

Not applicable